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Throughout the past decade, Russia's main *sovereign wealth fund (SWF) — Russian Direct Investment Fund (RDIF)*—has forged strategic partnerships in the Middle East to obtain billions in investment for Russia's energy and infrastructure sectors among others. The oil-rich Arab Persian Gulf states' SWFs have been the main Middle Eastern sources of this investment. Saudi, Kuwaiti, Emirati, and Qatari investment vehicles have focused heavily on Russia's roads, airports, seaports along with the country's major oil, gas, and refining projects.

This year, Russian President Vladimir Putin pledged to create or rebuild vast swaths of his country's infrastructure and RDIF is the lead agency responsible for the financing. Yet with Russia's main SWF only worth US$ 10 billion *(a small fraction of the wealthy Arab Persian Gulf countries' SWFs)*, Putin's ambitious goal requires Russia to attract higher levels of foreign direct investment. RDIF says it has attracted US$ 40 billion in foreign investment for projects ranging from infrastructure to high-tech industries.

In 2010, Arab Persian Gulf states began pursuing their interests in Russian projects. That year, Gulftainer, which operates the *United Arab Emirates (UAE)'s* ports, set up a US$ 500 million fund with *Prominvest (state-owned Russian Technologies' financial and investment arm)* to invest in Russian transportation infrastructure. By 2012, the Kuwait Investment

Authority, one of the first Arab Persian Gulf SWFs to invest in RDIF, had pumped US$ 500 million into Russia's transportation sector.

What began as one-off investments have developed into strategic partnerships between RDIF and Arab Persian Gulf countries' SWFs.

RDIF's partnership with Saudi Arabia's wealth fund—*Public Investment Fund (PIF)*—grew out of a visit that Saudi Arabia's then-*Deputy Crown Prince Mohammad bin Salman (MbS)*, who is now Crown Prince and de facto ruler of the Kingdom, paid to the Saint Petersburg International Economic Forum in June 2015. The 2015 visit was his first public engagement on energy issues. During the trip, PIF committed to investing $10 billion in RDIF-funded projects. The agreement became a reality during MbS' historic trip to Moscow in May 2017, which marked a watershed in Saudi-Russian relations. The visit also resulted in Riyadh and Moscow signing a deal to establish a $1 billion joint investment fund.

RDIF has partnered with PIF on *"more than $1 billion [in investments] in Russian public markets as well as eight private projects across sectors such as petrochemicals, power, logistics, transport infrastructure and retail,"* according to Dubai-based Gulf News. RDIF has also pledged to raise $100 million to buy Saudi Aramco shares if the oil giant decides on an initial public offering.

The Saudis have expressed interest in acquiring substantial stakes of Sibur and Eurasia Drilling Company, one of Russia's largest private oil and gas contractors. Not long ago, RDIF signed a partnership agreement with another Saudi SWF, the *Saudi Arabian General Investment Authority (SAGIA)*. Elsewhere in the western Persian Gulf, RDIF is partnering with Mubadala, Abu Dhabi's main SWF, on US$ 2 billion in energy and transportation projects in Russia, officials there say.

In a related development, state-owned Mubadala Petroleum bought a 49 percent share of Gazpromneft-Vostok, a subsidiary of Gazpromneft, one of the three largest oil and petrochemical companies in Russia. Meanwhile, Abu Dhabi's Department of Finance has committed since 2013 to pump US$ 5 billion into RDIF-led Russian infrastructure projects. Additionally, Dubai's DP World has started a joint venture with RDIF, called DP World Russia, to develop ports and logistics operations in Russia.

An important investor in Russia from the Arabian Peninsula is Qatar. The emirate's SWF, *Qatar Investment Authority (QIA)*, has assets in Russia worth several billion dollars due to investments in VTB, St. Petersburg Pulkovo airport, and Rosneft. The deal, worth US$ 11.3 billion—signed in January 2017 in conjunction with Glencore—amounts of 20 percent the Russian state-owned oil firm's privatization portfolio and, as Putin pointed out, also marks *"the largest sale and acquisition in the global oil and gas sector of 2016."*

Of course, Russia's growing pursuit of investment from the Arab world's richest countries comes against the backdrop of Washington's financial sanctions in response to the Ukraine crisis, which has undermined Russia's ability to move forward with ambitious infrastructure projects. Although US President Donald Trump has shown signs of wanting to ease the sanctions, Congress will not let him. American lawmakers recently passed a new round of sanctions and are likely to impose even harsher ones, partly to send a warning to Russia not to interfere in this year's midterm election.

One of Putin's most hard-nosed opponents in Washington is *Senator Lindsay Graham (R-SC)*, who recently joined with fellow lawmakers on both sides of the aisle in introducing the so-called sanctions *"bill from hell"* to punish Russia for allegedly interfering in America's 2016 presidential election. U.S. intelligence agencies have concluded that Russia interfered in the election, which the Kremlin denies.

Congress has already sanctioned all major Russian energy companies *(save Gazprom)* and many of the country's banks, financial institutions, and billionaires, many of whom are within Putin's inner circle. A key part of the financial sanctions has involved preventing Western companies from extending mid- to long-term loans to Russia. Russian financial officials have had little success in using monetary and tax policies to try to diminish the sanctions' impact.

The sanctions "bill from hell" would not only increase sanctions on Russia's energy and financial sectors but also thwart Westerners from buying Russian government debt. In addition, it would impose sanctions on agencies and individuals involved in Russian cyber attacks against the West and the spread of *"fake news"* to disrupt Western elections and increase social tensions. The legislation includes strong support for NATO and a requirement that two-thirds of the US Senate vote in favor of any decision to exit the 29-member military alliance.

Russian officials from Putin on down have responded to this bill with outrage, calling it a financial declaration of war and vowing retaliation against Washington. In the meantime, Russia is working hard to attract Arab and other non-Western sources of financing to diminish the sanctions' impact.

Russian companies and diplomats have been making a particularly special effort to strengthen bilateral relations with petroleum-rich Arab Persian Gulf states. This has included working with international institutions that the Arabian Peninsula's wealthy states also belong to such as the *Organization of Petroleum Exporting Countries (OPEC)* and the *Gas Exporting Countries Forum (GECF)*. Russia's cooperation has helped increase the global price of oil and gas, the lifeblood of Arab Persian Gulf states' economies.

Simultaneously, state-owned Russian companies such as Rosneft and Novatek have been investing in Middle Eastern oil and gas projects. In return, Arab Persian Gulf countries have made multibillion-dollar investments in RDIF-led infrastructure and projects to bolster Russia's struggling economy.

Nonetheless, infrastructure and economic-development funding that Russia is attracting from the Arabian Peninsula has not come anywhere near the overseas financial resources it has lost due to Western sanctions. In any event, investment from the Arab Persian Gulf states is helping to dent the sanctions while teaching RIDF valuable lessons about fostering long-term partnerships with SWFs and other financial institutions in non-Western countries.

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